

Debt Service

Repayment of Loans and Interest Short-Term Borrowings Certificates of Participation

Description	FY 2004 Approved	FY 2005 Proposed	% Change
Repayment of Loans and Interest	\$311,504,128	\$349,500,000	12%
Short-Term Borrowing	\$3,000,000	\$ 4,000,000	33%
Certificates of Participation	\$ 4,911,075	\$15,252,000	211%

The purpose of Debt Service administration is to finance the District's capital and cash flow needs and minimize the costs associated with such financing, and to exercise fiscally responsible debt management practices and make timely payment of all principal and interest when due.

Timely debt service payments are necessary to satisfy the District's commitments to its investors (bondholders and financing institutions) and maintain good credit standing in the financial markets.

Under the District of Columbia Home Rule Act, the District may issue debt to finance capital projects or seasonal cash needs, subject to certain limitations.

Specifically, no long-term (general obligation) debt may be issued that would cause the payment of principal and interest in any year on all long-term debt to exceed 17 percent of the projected revenue of the fiscal year in which the debt is issued. No short-term (general obligation) debt may be issued in an amount that would cause total outstanding short-term debt to exceed 20 percent of the projected revenue of the fiscal year in which the debt is issued. Short-term debt must be repaid by the end of the fiscal year in which it is issued.

As of September 30, 2003, long-term debt service represented 7.5 percent of revenue, a decrease from 7.8 percent as of September 30, 2002. The District's total outstanding long-term debt as of September 30, 2003, was \$3.25 billion. The District issued \$150 million of short-term debt in FY 2003, and repaid such debt by September 30, 2003 as required. The District issued \$250 million of short-term debt in FY 2004, which will be repaid by September 30, 2004.

Appropriations are budgeted from Local funds in amounts sufficient to meet the required payments for the various types of debt service. Table 1 shows the source of funding for debt service.

Funding by Source

Tables DS0-1, ZA0-1, and CP0-1 show the sources of funding by fund type for Debt Service.

Table DS0-1

FY 2005 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Repayment of Loans and Interest

Appropriated Fund	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
Local Fund	233,251	250,649	311,504	349,500	37,996	12.2
Total for General Fund	233,251	250,649	311,504	349,500	37,996	12.2
Gross Funds	233,251	250,649	311,504	349,500	37,996	12.2

Table ZA0-1

(dollars in thousands)

Short-Term Borrowings

	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
Local Fund	0	3,288	3,000	4,000	1,000	33.3
Total for General Fund	0	3,288	3,000	4,000	1,000	33.3
Gross Funds	0	3,288	3,000	4,000	1,000	33.3

Table CP0-1

(dollars in thousands)

Certificates of Participation

	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
Local Fund	7,924	2,280	4,911	11,252	6,341	129.1
Total for General Fund	7,924	2,280	4,911	11,252	6,341	129.1
Intra-District Fund	0	0	0	4,000	4,000	100.0
Total for Intra-District Funds	0	0	0	4,000	4,000	100.0
Gross Funds	7,924	2,280	4,911	15,252	10,341	210.6

Expenditures by Comptroller Source Group

Tables DS0-2, ZA0-2, and CP0-2 show the FY 2005 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table DS0 - 2

FY 2005 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Comptroller Source Group	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
80 Debt Service	0	250,039	311,504	349,500	37,996	12.2
82 Debt Svc Princ Retired GAAP	112,262	0	0	0	0	0.0
84 Debt Svc Interest GAAP	116,245	610	0	0	0	0.0
85 Debt Svc Fisc Chrg Refund GAAP	4,744	0	0	0	0	0.0
Subtotal Nonpersonal Services (NPS)	233,251	250,649	311,504	349,500	37,996	12.2
Total Proposed Operating Budget	233,251	250,649	311,504	349,500	37,996	12.2

Table ZA0-2

(dollars in thousands)

Short-Term Borrowings

Comptroller Source Group	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
80 Debt Service	0	3,288	3,000	4,000	1,000	33.3
Subtotal Nonpersonal Services (NPS)	0	3,288	3,000	4,000	1,000	33.3
Total Proposed Operating Budget	0	3,288	3,000	4,000	1,000	33.3

Table CP0-2

(dollars in thousands)

Certificates of Participation

Comptroller Source Group	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
80 Debt Service	7,924	2,280	4,911	15,252	10,341	210.6
Subtotal Nonpersonal Services (NPS)	7,924	2,280	4,911	15,252	10,341	210.6
Total Proposed Operating Budget	7,924	2,280	4,911	15,252	10,341	210.6

Gross Funds

The proposed budget is \$368,752,000, representing a change of 15 percent from the FY 2004 approved budget of \$319,415,203. There are no FTEs for this agency.

General Fund

Local Funds. The proposed budget for Repayment of Loans and Interest is \$349,500,000, an increase of \$37,995,872 over the FY 2004 approved budget of \$311,504,128. For Short-Term Borrowings, the proposed Local budget is \$4,000,000, an increase of \$1,000,000 over FY 2004. For the Certificates of Participation, the proposed Local fund budget is \$11,252,000, an increase of \$6,340,925 over FY 2004.

Debt Service represents principal and interest payments associated with the District's financing activities. Consistent with prudent fiscal policies, the District finances the construction or acquisition of capital assets by issuing debt, such that its long-term capital assets are paid for over the course of their useful lives by the current and future-year taxpayers that benefit from such assets. Debt Service for the District includes payments associated with three different financing methods:

- **Repayment of Loans and Interest (DS0)** represents debt service (principal and interest) and related costs on long-term general obligation bonds, which are associated with the District's borrowings to finance capital improvement projects for General Fund agencies. For FY 2005, the proposed level of debt service for Repayment of Loans and Interest totals \$349,500,000.
- **Short-Term Borrowings (ZA0)** represents interest and related costs associated with District borrowings to meet short-term seasonal cash needs. For FY 2005, the proposed debt service for financing costs for short-term borrowing totals \$4,000,000.
- **Certificates of Participation (CP0)** represents semi-annual lease (principal and interest) payments and related costs due on land for the One Judiciary Square building located at 441 4th Street, NW and on the Unified Communications Center located on the East

Campus of St. Elizabeths Hospital. For FY 2005, the proposed debt service for the certificates of participation totals \$11,252,000.

Intra-District Fund

Intra-District Funds - The proposed budget for Certificates of Participation is \$4,000,000, an increase of \$4,000,000 over the approved FY 2004 budget.